ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES

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PART 1 – ANNUAL BUDGET

1.1 MAYOR'S SPEECH

Premier Cassel Mathale in his 2011 State of the Province Address said " There comes a time in our journey of life when we are called upon to actualize our conviction and willingness to deliver on the promises made and to meet the expectations of our people. We must use this momentum in our lifetime to make a meaningful and sustainable difference in the lives of the masses of our people. As we depart from this honourable house we will be forging ahead and determined more than ever before to achieve our mission of building a better life for all"

The Mayor also outlined the achievement of the Municipality as follows

Municipal transformation and organizational development

- 71,5% of the positions filled compared to 32.5% in 2005
- 64.8% of staff compliment consists of youth
- 5 employees with disability which constitutes 3.9% and exceeded our of target 1% in the Employment Equity plan
- All Section 57 positions filled and 50% are youth
- Most critical positions are filled
- Performance contracts signed and periodical assessments are done
- Highly ranked and credible IDP for three consecutive years

Basic Services

- 68% of households have access to RDP standard water
- 96.7% have access to electricity
- 93.1% have access to sanitation
- 89.9% have access to housing
- 55,9% of the roads are tarred which is the highest in the province
- Free Basic Services are provided to indigents
- Construction of testing and licensing station and Thusong centre
- Won back –to-back Executive Mayor's Excellency Award on best performing municipality

Financial Viability

- Convention of the financial systems to GRAP
- Cost coverage of 58% against target of 56%
- Development of Credit Control and Debt policies
- Development of General valuation Roll with revenue of R6 million in property taxes

Local Economic Development and Spatial Planning

- Development and implementation of SDF, LED Strategy and LUMS
- Establishment of functional LED Forum
- Support of K2C Biosphere and development of a Tourism centre in Hoedspruit
- About 1350 sited demarcated
- More than 500 jobs created through LED initiatives and EPWP
- Won National Vuna Award on LED

Good Governance and Public Participation

- Functional Council and Portfolio Committees
- Established and Functional ward Committees
- Development and Implementation of Communication Strategy
- Unqualified Audit Opinion In 2009/2010
- Compliance to legislative reporting requirements
- Oversight Committee and Reports
- External and Internal Auditing

The following few challenges encountered were also outlined by the Mayor which incoming Council, will have to deal:

- Water – out of the 68% of households which have access to water only 2.3% of households have access to clean portable water. However, Madam the District has budget R40m in 2011/12 to complete Mametja-Sekororo RWS. Households will also be provided through water tankers and boreholes
- Infrastructure maintenance- the municipality will develop both maintenance plan and road master plan and an amount an amount of R1.9m has been budgeted for maintenance
- Waste Management- only 5% of households have access to this serve. Worcester landfill site will be completed and waste removal will be extended to rural households.
- Debt- the debt that residents owe the municipality is growing. However, the municipality has budgeted an amount of R3m(through the District) for data cleansing that will assist the municipality to reduce the number of debtors

On the basis of Inter-governmental co-operation and relations the following programs or projects will be implemented to mention but few:

- Burgersdorp to Balloon road @R50m by RAL

- Refurbishing and completion of Sepeke & completion of The Oaks information centre @ R10m by DEAT
- 1001 electricity connections (Calais 90, Makgaung 194, Hlohlokwe 223, Sofaya 116, Turkey one-four 238 and Metz 140)
- 3100 site to be demarcated (The Oaks 1200, Metz 1000, Balloon 300 and Lorraine 600) @ R6.8m by DLGH
- 440 Houses @ R by DLGH
- Construction of new circuit office, repairing of damaged schools and building of a new school by Dept. Of Education
- Number of projects and programs by Dept. Of Agriculture

The above mentioned initiatives will create jobs as 2011 is declared a year for job creation. May we also formally declare 2011/12 a year of job creation and accelerated service delivery.

The Honourable Mayor presented the 2011/2012 as detailed below

1.2 COUNCIL RESOLUTIONS

On the of 14th April 2011 Council of Maruleng Local Municipality met in the Council Chambers to consider the final annual budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

1. The Council of Maruleng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2011/12 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 21;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 21;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type as contained in Table 13 on page 22; and

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 23.

Maruleng Local Municipality 2011/12 Annual Budget and MTREF

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, assets management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table 15 on page 23;

1.2.2. Budgeted Cash Flows as contained in Table 16 on page 24;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 24;

1.2.4. Asset management as contained in Table 18 on page 25; and

1.2.5. Basic service delivery measurement as contained in Table 19 on page 26.

2. The Council of Maruleng Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2011:

2.1. the tariffs for property rates – as set out in Annexure A,

2.2. the tariffs for the supply of water – as set out in Annexure B

2.3. the tariffs for sanitation services – as set out in Annexure B

2.4. the tariffs for solid waste services – as set out in Annexure B

3. The Council of Maruleng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2011 the tariffs for other services, as set out in Annexure B .

4. To give proper effect to the municipality's annual budget, the Council of Maruleng Local Municipality approves:

4.1. That cash backing is implemented through the utilization of a portion of the revenue generated from property rates to ensure that all capital reserves and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3. Executive Summary

The application of sound financial planning and financial management principles are very critical in achieving the Municipality's financial objectives

The following were the challenges experience during the compilation of the 2011/2012 MTREF

- The ongoing difficulties in the national and local economy
- Ageing and poorly maintained water and roads infrastructure
- The need to reprioritise projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Wage increases for municipal staff and need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2011/2012 MTREF

- The 2011/2012 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments were adopted as the upper limits for the
- new baselines for the 2011/2012 annual budget

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2011/2012 MTREF

Table 1 Consolidated Overview of the 2011/12 MTREF

R Thousand	Adjustments Budget 2010/11	Budget Year +1 2011/12	Budget Year +1 2012/13	Budget Year +1 2013/14
Total Operating Revenue	97,980,623	111,791,554	118,483,902	123,483,096
Total Operating expenditure	73,891,840	80,417,721	85,127,015	89,917,947
Surplus/(Deficit) for the year	24,088,783	31,337,833	33,356,888	33,565,148
Total Capital Expenditure	28,202,231	34,257,961	35,778,058	38,087,081

- Total operating revenue has grown by 12.35 per cent or R13.8 million for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 5.6 and 4.05 per cent respectively, equating to a total revenue growth of R25.4 million over the MTREF when compared

to the 2010/11 financial year. Total operating expenditure for the 2011/12 financial year has been appropriated at R80.4 million and translates into a budgeted surplus of R34.2 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 8.1per cent in the 2011/12 budget and by 5.5 and 5.3 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R33.3 million and R33.6 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

- The capital budget of R34.3 million for 2011/12 is 17.7 per cent more when compared to the 2010/11 Adjustment Budget. The increase is due to more funding being set aside to accelerate service delivery. The capital programme increases to R1.5 million in the 2012/13 financial year and R2.3 million in 2013/12.

1.4. Operating Revenue Framework

For Maruleng municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source									
Property rates	3,743	6,566	8,411	5,341	9,710	9,710	10,293	10,931	11,204
Service charges - water revenue	–	2,017	–	1,991	2,280	2,280	2,417	2,567	2,631
Service charges - sanitation revenue	–	195	–	183	237	237	183	194	199
Service charges - refuse revenue	1,185	1,441	1,613	2,610	1,869	1,869	1,981	2,104	2,157
Rental of facilities and equipment	78	379	488	300	229	229	243	258	264
Interest earned - external investments	1,036	426	159	157	935	935	200	212	218
Interest earned - outstanding debtors	–	–	–	90	100	100	106	113	115
Fines	–		1		–	–			
Licenses and permits	965	3,402	1,887	5,243	6,515	6,515	6,906	7,334	7,517
Transfers recognized – operational	22,560	32,348	35,104	44,823	47,017	47,017	54,466	59,444	62,902
Other revenue	468	736	7,219	3,672	4,953	4,953	8,931	5,083	4,368
Gains on disposal of PPE					5,340	5,340			
Total Revenue (excluding capital transfers and contributions)	30,035	47,511	54,882	64,410	79,186	79,186	85,725	88,239	91,575

Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	9,710,000	12.3%	10,292,600	12%	10,930,741	12.4%	11,204,010	12.2%
Service charges - water revenue	2,280,000	2.9%	2,416,800	2.8%	2,566,642	2.9%	2,630,808	2.9%
Service charges - sanitation revenue	237,000	0.3%	182,796	0.2%	194,129	0.2%	198,983	0.2%
Service charges - refuse revenue	1,869,000	2.4%	1,981,140	2.3%	2,103,971	2.4%	2,156,570	2.4%
Rental of facilities and equipment	229,000	0.3%	242,740	0.3%	257,790	0.3%	264,235	0.3%
Interest earned - external investments	935,401	1.2%	200,000	0.2%	212,400	0.2%	217,710	0.2%
Interest earned - outstanding debtors	100,000	0.1%	106,000	0.1%	112,572	0.1%	115,386	0.1%
Dividends received	-	0.0%		0.0%		0.0%		0.0%
Fines	-	0.0%		0.0%		0.0%		0.0%
Licences and permits	6,515,000	8.2%		8.1%	7,334,066	8.3%	7,517,417	8.2%

			6,905,900					
Agency services	-	0.0%	-	0.0%		0.0%		0.0%
Transfers recognized – operational	47,017,067	59.4%	54,466,000	63.5%	59,444,000	67.4%	62,902,000	68.7%
Other revenue	4,953,129	6.3%	8,930,657	10.4%	5,082,592	5.8%	4,367,978	4.8%
Gains on disposal of PPE	5,340,000	6.7%		0.0%		0.0%		0.0%
Total Revenue (excluding capital transfers and contributions)	79,185,597	100%	85,724,633	100%	88,238,903	100%	91,575,096	100%
Total revenue from rates and service charges	14,096,000	18.3%	14,873,336	17.4%	15,795,483	17.9%	16,190,370	17.7%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and services charges forms only 18 percentage of the revenue basket for the Municipality because the Municipality depends mainly on grants.

In the 2010/11 financial year, revenue from rates and services charges totaled R14 million or 18.3 per cent. This increases to R14.8 million, R15.7 million and R16.1 million in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality

Apart from Transfers recognized – operational which is about 63.5 percentage of the total revenue mix, property rates is the largest own revenue source totaling 17.4 per cent or R14.8 million rand and increases to R16.1 million by 2013/14. The second largest own sources is „other revenue" which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R47 million in the 2010/11 financial year and steadily increases to R62.9 million by 2013/14. Note that the year-on-year growth for the 2011/12 financial year is 63.5 per cent and increase to 67.4 and 68.7 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
RECEIPTS:									
Operating Transfers and Grants									
National Government:	19,794,216	24,996,143	35,150,221	41,323,000	42,333,812	42,333,812	49,466,000	54,444,000	57,902,000
Local Government Equitable Share	18,560,216	23,761,143	32,310,000	39,323,000	39,323,000	39,323,000	47,176,000	52,144,000	55,552,000
Finance Management	500,000	500,000	1,622,231	1,250,000	1,736,685	1,736,685	1,500,000	1,500,000	1,500,000
Municipal Systems Improvement	734,000	735,000	1,217,990	750,000	1,274,127	1,274,127	790,000	800,000	850,000
District Municipality:	3,182,018	5,578,871	3,406,004	3,500,000	4,683,255	4,683,255	5,000,000	5,000,000	5,000,000
Mopani district municipality	3,182,018	5,578,871	3,406,004	3,500,000	4,683,255	4,683,255	5,000,000	5,000,000	5,000,000
Other grant providers:	1,188,000	1,188,000	2,000,019	-	-	-	-	-	-
LED Grant from European Union	1,188,000	1,188,000	2,000,019	-	-	-	-	-	-
Total Operating Transfers and Grants	24,164,234	31,763,014	40,556,244	44,823,000	47,017,067	47,017,067	52,966,000	57,944,000	61,402,000

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Banks inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of Municipality and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative

Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 73:1 the implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further 40% of the reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 65 per cent rebate will be granted on residential properties (including state owned residential properties but excluding sectional title scheme and residential properties in non private estate);
- 100 per cent rebate will be granted to residential properties in rural, informal settlement and registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The Municipality does not have special rating; one levying rate is applied for all categories. The current levying rate is 0.0093 and proposed for the 2011/2012 is 0.0096

1.4.2. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with Municipality, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Maruleng Municipality is not a water authority in terms of the Act but rendering the service on behalf of the District. The Municipality receives bulk water from the Department of Public Works. Public Works has not increased its water tariffs, which is 2.04 p/kl and will remain unchanged in the 2011/2012 financial year.

A tariff increase of 4.8 per cent from 1 July 2011 for water is proposed. This is based on the increase in the cost of other inputs.
A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARRIFF 2010/11	PROPOSED TARRIFF 2011/12
	Rand per kl	Rand per kl
RESIDENTIAL		
Water basic per household p/m	5.14	5.38
Water consumption p/kl	3.74	3.91
NON RESIDENTIAL		
Water basic per household p/m	5.14	5.38
Water consumption p/kl	3.74	7.74

1.4.3. Sanitation and Impact of Tariff Increases

A tariff increase of 4.8 per cent for sanitation from 1 July 2011 is proposed. This is based on the input cost assumptions related to water.

Table 6 Comparison between current and proposed sanitation charges

CATEGORY	CURRENT TARRIFF 2010/11	PROPOSED TARRIFF 2011/12
	Rand per kl	Rand per kl
RESIDENTIAL		
Sewerage per dwelling p/m	43.26	45.33
NON RESIDENTIAL		
Sewerage per dwelling p/m	43.26	46.90

1.4.4. Waste Removal and Impact of Tariff Increases

The Municipality has a contract for waste removal for businesses. Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributor to this deficit is increases in general expenditure such as petrol and diesel and the cost of remuneration. The Municipality's landfill site is situated 62 km outside the collection areas.

Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 4.8 per cent increase in the waste removal tariff is proposed from 1 July 2011. Higher increases will not be viable in 2011/12 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.
The following table compares current and proposed amounts payable from 1 July 2011:

Table 7 Comparison between current and proposed waste removal fees

	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2010/11
	WASTE REMOVAL	WASTE REMOVAL
Tariff per container per month or part of a month:	Per month (R)	Per month (R)
BUSINESS	4,688.40	4,688.40
6m container removed once a week	3,750.72	3,750.72
Wheel bins	937.68	937.68
PUBLIC WORKS	443.28	464.73
Domestics	60.68	63.77
Messe & Base	382.60	400.96
RESIDENTIAL	928.73	973.29
Refuse collection per unit	37.08	38.85
Refuse coupons per bakkie	110.00	115.28
Garden refuse and rubles - Full load	521.10	546.11
Garden refuse and rubles - Full load	260.55	273.05

1.4.5. Overall impact tariff increase on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services. Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 12 and 13 per cent, with the increase for indigent households closer to 12 per cent.

1.5. Operating Expenditure Framework

The Municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no budget no spending.
- The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 8: Summary of operating expenditure by standard classification item

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework	
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13
Expenditure By Type								
Employee related costs	14,064,506	20,507,473	21,044,581	27,963,247	30,734,602	30,734,602	33,906,385	36,212,019
Remuneration of councilors	4,345,835	4,491,329	5,367,776	5,938,064	5,894,499	5,894,499	5,947,487	6,351,916
Debt impairment					2,955,000	2,955,000	3,500,000	3,710,000
Depreciation & asset impairment	-	-	4,024,621	-	4,113,448	4,113,448	4,113,448	4,360,255
Finance charges			72,055					
Bulk purchases	-	2,205,991	392,348	3,024,000	1,680,000	1,680,000	2,145,000	2,273,700
Other materials			128,492		1,482,000	1,482,000	2,047,000	2,116,820
Contracted services	2,675,546	2,990,918	3,581,114	3,856,576	6,576,576	6,576,576	5,325,000	5,644,500
Transfers and grants								
Other expenditure	30,502,566	37,733,391	10,749,928	18,895,000	20,455,714	20,455,714	23,433,400	24,457,804
Total Expenditure	51,588,453.	67,929,102	45,367,217	59,676,886	73,891,840.	73,891,840	80,417,720	85,127,015

The budgeted allocation for employee related costs for the 2011/11 financial year totals R30.7 million, which equals 38.5 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.08 per cent for the 2011/12 financial year, included to the 7.08 per cent is 1 per cent budgeted for salary disparity. An annual increase of 7.08 per cent has been included in the two outer years of the MTREF. As part of the Municipality's turnaround strategy vacancies for critical positions have been budgeted for. The outcome of this exercise was the inclusion of R2.03 million in the 2011/12 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. A preliminary amount of R33.9 million has been included in the 2011/12 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalized.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 4 per cent and the Debt Write-off Policy of the Municipality. For the 2011/11 financial year this amount equates to R2.95 million and escalates to R3.7 million by 2013/12. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

Bulk purchases are directly informed by the purchase of water from Department of Public Works. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

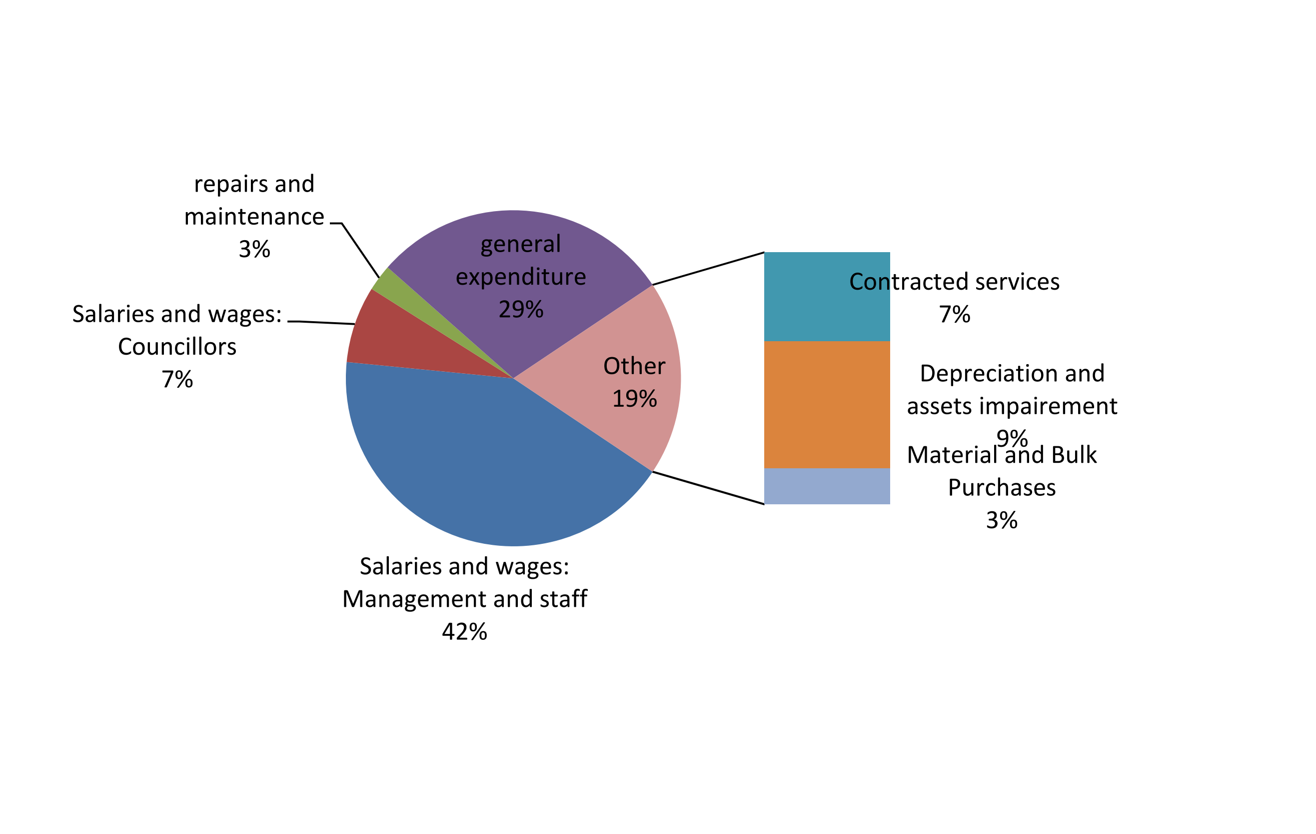
Other material comprises of amongst others the materials for maintenance and cleaning materials and chemical. For 2011/12 the appropriation for this group of expenditure totals R 2.1 million and equates 2.5 per cent of the total operating expenditure.

Contracted services have been identified to render service on behalf of or to the Municipality. In the 2011/12 financial year, the 2010/11 budget for waste removal contract includes R4.5 million which was indirectly related to the rendering of refuse removal. This group of expenditure totals R 6.6 million and has escalated by 45.6 per cent. This major increase was caused by an increase in the number of points were security services is needed and the distance between the landfill site and the municipal collection points. For the two outer years growth has been limited to 1 per cent respectively. As part of the process of identifying cost efficiencies, a business process reengineering project will commence in the 2011/12 financial year to identify alternative practices and procedures, including building of waste dumping transfer site nearer to the collection points.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost

savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2011/12 and curbed at 6 per cent for the two outer years, indicating that significant cost savings have been already realized. Further details relating to contracted services can be seen in Table 50 MBRR SA1 (see page 63).

Table 9 The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.



1.6. Capital expenditure

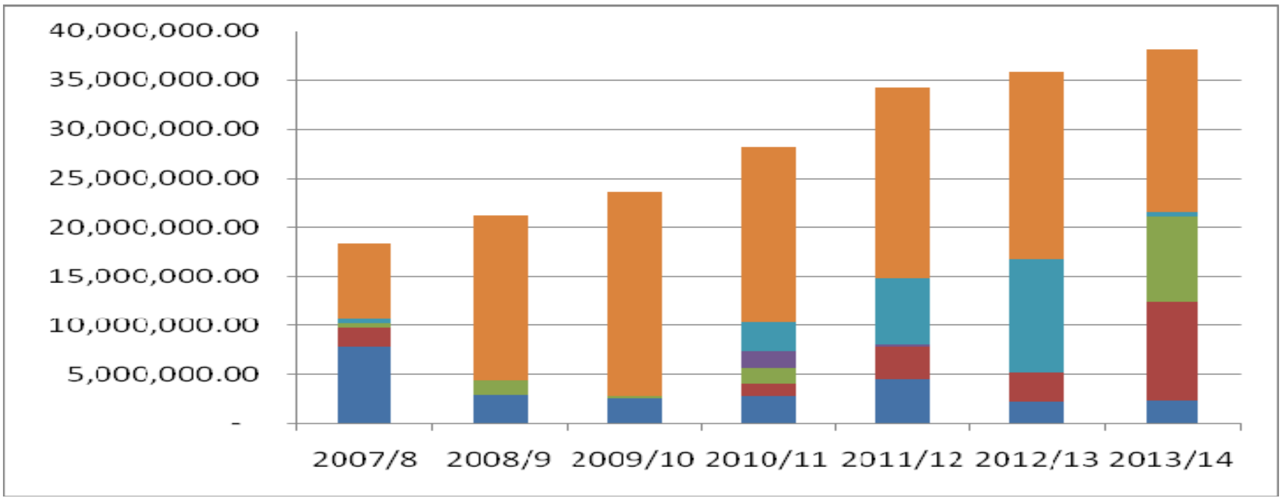
The following table provides a breakdown of budgeted capital expenditure by vote:

Table 09: 2011/12 Medium-term capital budget per vote

Vote Description	current year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Capital expenditure - Vote								
Vote3 - Corporate Services	2,790,656	10%	4,431,200	13%	2,100,260	6%	2,270,291	6%
Vote5 - Community and Social Services	1,240,847	4%	3,400,000	10%	3,000,000	8%	10,100,000	27%
Vote6 - Sports and Recreation	1,500,000	5%	-	0%	-	0%	8,665,698	23%
Vote7 - Waste Management	1,800,000	6%	200,000	1%	-	0%	-	
Vote8 - Waste water Management	2,879,137	10%	6,620,863	19%	11,654,926	33%	494,690	1%
Vote9 - Roads and Transport	16,891,591	64%	19,605,898	57%	19,022,872	53%	16,556,402	43%
Capital multi-year expenditure sub-total	27,102,231	100%	34,257,961	100%	35,778,058	100%	38,087,081	100%

For 2011/12 an amount of R19.6 million has been appropriated for the development of Transport and roads which represents 57 per cent of the total capital budget. In the outer years this amount totals R19 million, 53 per cent and R16.5 million, 43 per cent respectively for each of the financial years. Transport and roads receives the highest allocation of R19.6 million in 2011/12 which equates to 57 per cent followed by waste water management at 10 per cent with an amount R6.6 million.

The following graph provide a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF



	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Vote3 - Corporate Services	7,784,365	2,921,278	2,508,279	2,790,656	4,431,200	2,100,260	2,270,291
Vote5 - Community and Social Services	1,959,568	-	-	1,240,847	3,400,000	3,000,000	10,100,000
Vote6 - Sports and Recreation	383,283	1,415,778	317,021	1,500,000	-	-	8,665,698
Vote7 - Waste Management	-	-	-	1,800,000	200,000	-	-
Vote8 - Waste water Management	506,576	-	-	2,879,137	6,620,863	11,654,926	494,690
Vote9 - Roads and Transport	7,600,166	16,816,742	20,759,226	17,991,591	19,605,898	19,022,872	16,556,402

1.7 Annual Budget Tables - Parent Municipality

See attached copy Annual budget which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality’s 2011/12 budget and MTREF as approved by the Council.

- ### Table A1 – Budget Summary

  Explanatory notes to MBRR Table A1 - Budget Summary

  1. Table A1 is a budget summary and provides a concise overview of the Municipality’s budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

   a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
   b. Capital expenditure is balanced by capital funding sources, of which
      I. Transfers recognized are reflected on the Financial Performance Budget;
      II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

- **Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

- **Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

  Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the City. This means it is possible to present the operating surplus or deficit of a vote.

- **Table A4 - Budgeted Financial Performance (revenue and expenditure)**
  Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R85.7 million in 2011/12 and escalates to R91.6 million by 2013/14. This represents a year-on-year increase of 2.8 per cent for the 2012/13 financial year and 3.6 per cent for the 2013/14 financial year
2. Revenue to be generated from property rates is R10.2 million in the 2011/12 financial year and increases to R11.2 million by 2013/14 which represents 6.4 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5.7 per cent, 5.8 per cent and 2.4 per cent for each of the respective financial years of the MTREF.

3. Services charges relating to water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totaling R4.6 million for the 2011/12 financial year and increasing to R5 million by 2013/14. For the 2011/12 financial year services charges amount to 17 per cent of the total revenue base and grows by 0.4 per cent to 2013/14. This growth can mainly be attributed to the increase of water consumption.

4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. The grants receipts from national government are growing rapidly over the MTREF by 13.7 per cent and 10.3 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

5. Bulk purchases have significantly increased over the 2010/11 to 2013/14 period escalating from R1.7 million to R2.4 million. These increases can be attributed to the substantial increase in the cost of bulk water from Public Water.

6. Employee related costs and bulk purchases are the main cost drivers within the municipality

- **Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2011/12 R34.3 million has been allocated for capital expenditure which totals 17.7 per cent when compares to 2010/11. This allocation escalates to R38 million in 2012/13

3. The capital programme is funded from capital and provincial grants and transfers and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R26.6 million (27.9 per cent) and escalates to R31.9 million by 2013/14 (5.2 per cent).

- **Table A6 - Budgeted Financial Position**
  Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions noncurrent;
   - Changes in net assets; and

- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table A7 - Budgeted Cash Flow Statement

- **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. It can be seen that the cash levels of the municipality fell significantly over the 2007/08 to 2008/09 period owing directly to a net decrease in cash for the 2008/09 financial year of R3.6 million

4. The approved 2010/11 MTREF provide for a further net increase in cash of R 8.7 million for the 2010/11 financial year resulting in an overall projected positive cash position of R9.3 million at year end.

5. As part of the 2010/11 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.

6. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

7. Cash and cash equivalents totals R8.9 million as at the end of the 2011/12 financial year and escalates to R14 million by 2013/14.

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

5. From the table it can be seen that for the period 2007/08 to 2008/09 the deficit deteriorated from R179 thousand to R5.8 million.

6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2008/09 MTREF was not funded owing to the significant deficit.

7. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

8. As can be seen the budget has been modeled to progressively move from a deficit of R5.8 million in 2008/09 to a surplus of R17 million by 2013/14.

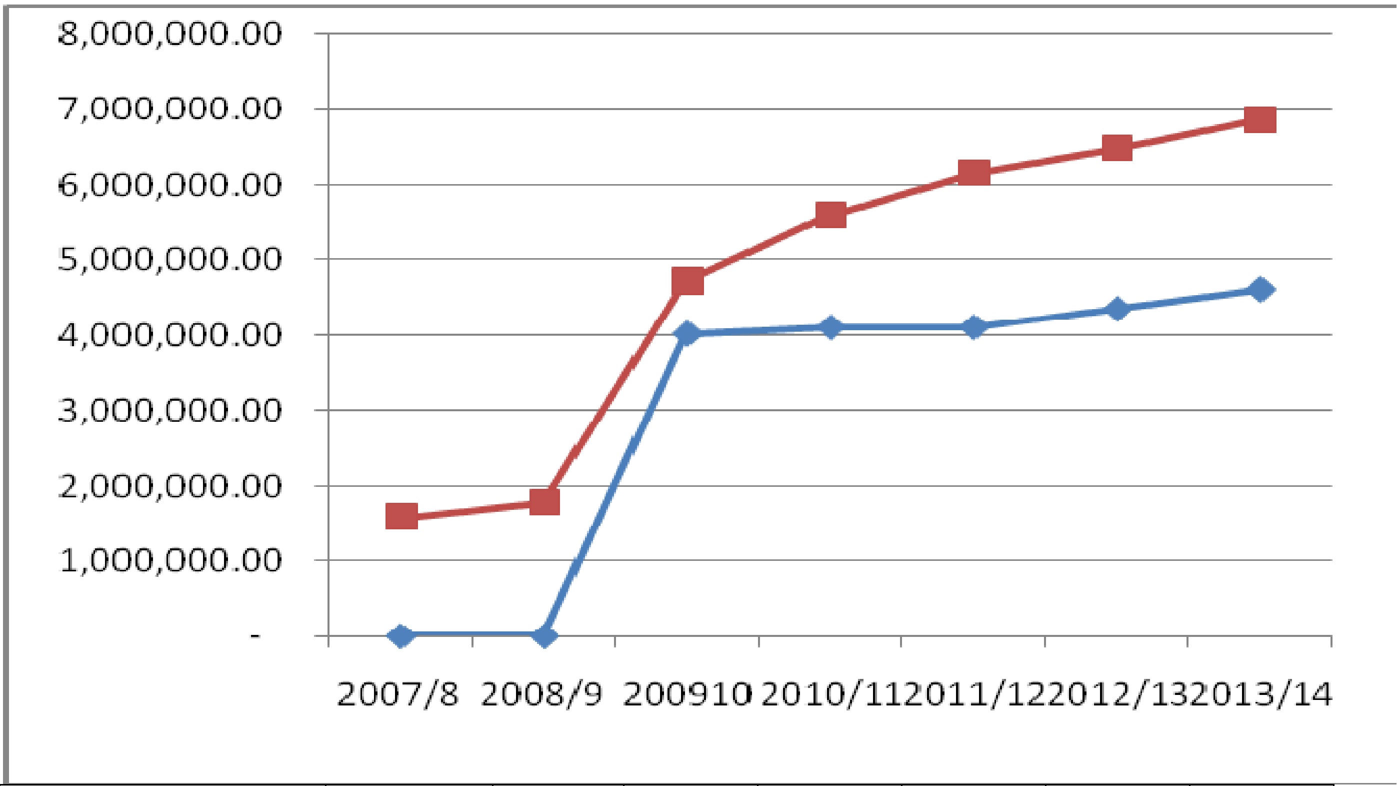
- **Table A9 - Asset Management**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality meets both these recommendations.

3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog



	2007/8	2008/9	200910	2010/11	2011/12	2012/13	2013/14
Depreciation & asset impairment	-	-	4,024,621.00	4,113,448.30	4,113,448.30	4,360,255.19	4,621,870.50
Repairs and Maintenance by Asset Class	1,580,136.00	1,781,533.00	695,194.00	1,482,000.00	2,047,000.00	2,116,820.00	2,243,829.20

- **Table A10 - Basic Service Delivery Measurement**
  Explanatory notes to Table A10 - Basic Service Delivery Measurement (see attached document)

  1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

  2. The munipality continues to make good progress with the eradication of backlogs:
     - education - more than one third of the adult population lack any kind of schooling 67% of Maruleng population between the ages of 5 and 24 are attending schools and 27% are however not attending school

     - Water services – Maruleng municipality is characterized by low rainfall, this results in limited water resources culminating in severe water shortages and drought condition. About 16721 households which amount to 68% of the population have access water in terms of RDP standards, only 2.3% of the population has access to portable water

     - Sanitation services – about 22905 households which about 93.15 % of the population have access to sanitation backlog will be reduced by over 2000 households over the MTREF. The number of households with no toilet provision will be reduced by 1000 households in 2011/12

- Electricity services –the electricity for the municipality is generated by Eskom, the provision of electricity to household have access to electricity which amount to 93.5% of the population. All the villages are electrified except posy connections and new extension; the backlog is about 1528 households. The municipality has budgeted R1 million for the provision of FBE to its indigents household.

- Refuse services – the municipality provides waste collection services in two areas which arc are Hoedspruit and kampersrus for a total of 1229 household and in accounts to about 5% of households. In both commercial and residential area the collection takes place once in a week. No refuse removal is provided to the 33 villages. Those households rely mostly on backyards dumping and burning. The municipality has collection and transporting. The future plan for the municipality is to roll out waste collection to all villages.

3. Indigent register- the municipality has adopted policy and register. This register
    - The register facilitates the provision of free basic services; the updated indigents register has about 8249 households as beneficiaries.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 BUDGET PROCESS OVERVIEW

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 15 July 2010. Key dates applicable to the process were:

- **3 1 October to 3rd November 2010** – Joint strategic planning session of represented by all Councilors, Executive Management and Sectional Heads. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2011/12 MTREF;
- **19 May 2011**– Preparation of departmental operational plans and SDBIP aligned to the strategic priorities and inputs from stakeholders. Budget and Treasury Office to consolidate departmental budgets.
- **23 August 2010 -** Review of the community and stakeholders inputs and the Budget Steering Committee adjust estimates based on plans and resources. This included financial forecasting and scenario considerations;
- **20 January 2011** – Half-year budget performance report submitted to the Mayoral Committee for endorsement;
- **27 January 2011 -** Council considers the 2010/11 Mid-year Review and Adjustments Budget;
- **20 February 2011 -** Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2011/12 MTREF is revised accordingly;

- **03 March 20**11 **-** Tabling in Council of the draft 2011/12 IDP and 2011/12 MTREF for public consultation;
- **10 to 18 March 2011** – Public consultation;
- **3 April 2011 -** Closing date for written comments;
- **14 April 2011** – finalization of the 2011/12 IDP and 2011/12 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **14 April 2011-** Tabling of the 2011/12 MTREF before Council for consideration and approval.
- There were deviations from the key dates set out in the Budget Time Schedule tabled in Council because of the local government election.

2.1.2. IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in August 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in July.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Provide democratic and accountable government for all communities.
- Ensure the provision of services to communities in a sustainable manner.
- Promote social and economic development.
- Promote a safe and healthy environment.
- Encourage the involvement of communities and community organizations in the matters of local government

.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/16 MTREF:

- Ensure that all communities have access to clean portable water by 2014
- Ensure that all communities have access to electricity by 2012
- Ensure that unemployment is halved by 2014

- Provide access to housing
- Create job opportunities and reduce poverty rate through infrastructure development service delivery, procurement and
- support for SMME's and Broad Based Black Economic Empowerment (BBEEE)
- Provide infrastructure that is conducive for economic development and growth
- Provide universal waste removal to all communities
- Acquire more resources to provide and maintain the existing and proposed infrastructure
- Integrated planning and service provision in rural areas
- Integrated human settlement in Hoedspruit
- Strengthen community participation and IGR
- Effectively deal with communicable and non-communicable diseases
- Facilitation of economic activities in both urban and rural areas.
- Increase revenue base
- Policy priorities and strategic objectives

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritization process.

2.1.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 03 March 2011 for community consultation was published on the municipality's website, and hard copies were made available to traditional leader's offices, Maruleng Thusong center, Municipal notice boards and municipal libraries. In addition a further six public consultative meetings were held at Balloon on the 10th March, 11th March 2011 at Hlohlokwe, 17th March 2011 at Sedawa, 17th March 2011 at hoedspruit community hall,17th March 2011 at kampersus and 18th march 2011 at Finale. Invitation for the meetings was sent to organized stakeholders, public notice and loud hailing to the community. Including ratepayer associations, community-based organizations and organized business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilized to facilitate the community consultation process from 10 to 18 March 2011, and included six public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 300 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organized business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organizations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalization of the 2011/12 MTREF. Feedback and responses to the submissions received are available on

request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- o Several complaints were received regarding poor service delivery, regarding the shortage of roads infrastructure to the certain village, the number of roads are identified in the IDP for five years
- o Issue were raised regarding the shortage of the job, lack of water, the municipality address the community about the project that is active which is Mametja Sekororo regional water scheme to provide all the communities with water. All projects will add as an advantage to create jobs to the community.
- o The community were complains about the shortage of the recreation facilities which will help them to exercise their activities. The municipalities respond that they will address the issue to the Department of Art and culture.

Significant changes effected in the final 2011/12 MTREF compared to the draft 2011/12 MTREF that was tabled for community consultation, include:

- o The bulk water tariff increase to 3.91, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2011. This resulted in an increase of 6 per cent;
- o An amount of R78.4million (R52.9 million on the Operating Budget and R25.4 million on the Capital Budget) was included over the medium-term for each of the financial years.
- o An amount of R33.4 million was allocated in the Capital Budget to fund upgrades and storm water management;
- o The SALGBC party's settlement regarding the salary dispute resulted in a preliminary amount of R39.8 million being provided for in the 2011/12 financial year;
- o The 2011 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazette allocations; and

2.2 Overview of alignment of Annual Budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents.
The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.
The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Updating baseline information to ensure sound decision-making in addressing service delivery gaps;
- Meeting the national targets in terms of service provisioning;
- Responding to key issues raised in the 2011 State of the Nation Address "growth and jobs creation", the Province Address, "acceleration of service delivery and job creations" and the Municipal Mayor's address
- Aligning Sector Departments' strategic plans to the municipality service delivery programmes;
- Strengthening focused Community and stakeholder participation in the IDP processes;
- Meeting targets in terms of the KPAs of the local government strategic agenda;
- Responding to the Community priorities for 2011/16 as reflected in the matrix on pages
- Responding to issues raised during the municipality Assessment (SWOT);
- Updating and developing pending sector plans and programmes of the IDP
- Revising the vision, mission, objectives, strategies, programmes and projects; and
- Alignment of IDP, Budget and PMS activities.
- Municipal Turn Around Strategy
- National Key Priority Areas and the National Outcomes
  .

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

The following table highlights the IDPs five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 20: IDP Strategic Objectives

2010/11 Financial Year	2011/2012 MTREF
Plan for the future Develop and retain skilled and capacitated workforce	Plan for the future Develop and retain skilled and capacitated workforce
Improve Community well-being through accelerated service delivery House the nation and build integrated human settlement	Improve Community well-being through accelerated service delivery House the nation and build integrated human settlement
Grow the economy and provide livelihood support Develop partnerships	Grow the economy and provide livelihood support Develop partnerships
Become financially viable Develop and retain skilled and capacitated workforce	Become financially viable Develop and retain skilled and capacitated workforce
Effective and efficient community involvement Improve inter-governmental function	Effective and efficient community involvement Improve inter-governmental function

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
    - To ensure that households that qualify as indigent households are registered on the indigent register of the municipality
    - To provide a safe, healthy and sustainable environment
    - To ensure a mental and physical healthy
    - To prevent loss of lives and infrastructure due to disasters
    - To ensure safe and secure communities
    - To ensure quality of life for youth through national, provincial, municipal youth initiatives
    - To ensure quality of life of people with disabilities through national, provincial, municipal youth initiatives

2. Economic growth and development that leads to sustainable job creation by:
    - Speeding up growth and transforming the economy to create decent work and sustainable livelihoods i.e. expenditure management
    - To respond appropriately, promptly and effectively so that growth and decent employment as well as improvements in income security are reinforced and the sustainability of investments.
    - Implement the community work programme and cooperatives supported

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- To ensure that households that qualify as indigent households are registered on the indigent register of the municipality

- To provide a safe, healthy and sustainable environment
- To ensure safe and secure communities
- To ensure quality of life for youth through national, provincial, municipal youth initiatives

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community Infrastructure such as schools and clinics is properly co-ordinated with the Informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Develop and retain skilled and capacitated workforce
- Plan in an integrated manner
- Resource manage infrastructure and services for access and mobility
- Effective and efficient Organization
- Become financially viable
- Create smart partnerships
- Grow the economy and halve unemployment

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and Planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

Table 21: MBRR Table SA4 - Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	18,410,341	24,998,802	26,412,357	33,901,310	36,629,102	36,629,102	39,800,633	42,188,671	44,719,991
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	-	2,205,991	4,623,818	3,024,000	11,350,448	11,350,448	6,238,461	5,710,320	5,962,939
LED	Grow the economy and halve unemployment and develop partnership	2,675,546	2,990,918	3,581,114	3,856,576	6,576,576	6,576,576	5,325,000	5,644,500	5,983,170
Municipal Financial Vialibility and Management	Become financially viable	22,612,121	37,733,391	10,749,928	18,895,000	19,335,714	19,335,714	26,975,800	28,595,154	29,638,705
Good Governance and Public Participation	Effective and efficient organization		366,974	25,883,567	25,415,109	24,088,783	24,088,783	33,451,661	36,345,258	37,178,291
		43,698,008	68,296,076	71,250,784	85,091,995	97,980,623	97,980,623	111,791,554	118,483,903	123,483,096

Table 22: MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

		2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	14,064,506	19,407,473	21,044,581	27,963,247	30,734,602	30,734,602	33,733,887	35,757,920	37,903,395
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	15,372,350	4,358,678	392,348	3,024,000	1,680,000	1,680,000	2,145,000	2,273,700	2,410,122
LED	Grow the economy and halve unemployment and develop partnership	807,798	112,940	3,581,114	3,856,576	6,576,576	6,576,576	5,325,000	5,644,500	5,983,170
Municipal Financial Vialibility and Management	Become financially viable	16,493,166	39,555,732	14,981,398	18,895,000	29,006,162	29,006,162	28,570,400	30,104,424	31,253,489
Good Governance and Public Participation	Effective and efficient organisation	4,850,633	4,494,279	5,367,776	5,938,064	5,894,499	5,894,499	6,066,746	6,430,751	6,816,596
		51,588,453	67,929,102	45,367,217	59,676,886	73,891,840	73,891,840	75,841,033	80,211,295	84,366,773

Table 23: MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective R thousand	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	-	-	317,021	2,704,202	2,919,847	2,919,847	3,400,000	8,500,000	16,000,000
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	15,630,614	19,544,579	20,759,226	20,556,732	21,391,729	21,391,729	26,470,461	22,117,748	13,908,000
Municipal Financial Vialibility and Management	Become financially viable			2,508,279	2,154,175	2,790,656	2,790,656	3,581,200	3,100,260	2,270,291
Good Governance and Public Participation	Effective and efficient organisation	2,603,344	1,609,220	-	-	-	-	-	-	-
		18,233,958	21,153,799	23,584,525	25,415,109	27,102,231	27,102,231	33,451,661	33,718,008	32,178,291

2.3 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Reporting in the monitoring process also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

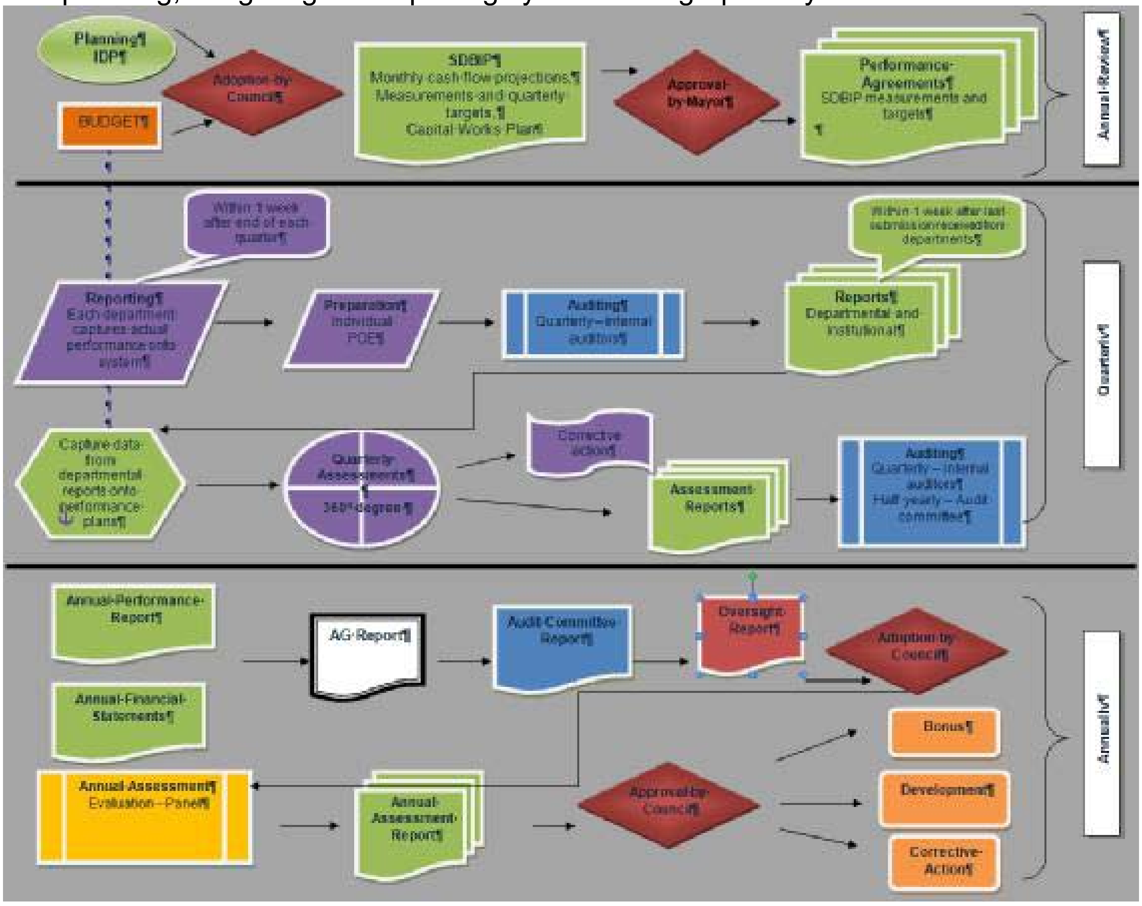


Figure 5 Planning, budgeting and reporting cycle

Monitoring is the regular observation and recording of activities taking place in a project or programme. Relevant data is gathered in an efficient and timely manner and in sufficient quantities to provide meaningful results after which it is processed to identify and categorize factors relevant to specific concerns. In monitoring, data should be analysed and the results displayed so that personnel can take appropriate actions.

Monitoring which involves a process of routinely gathering information on all aspects of the objective, programme or project has been operationalised within the Maruleng Local Municipality by making use of the SDBIP reporting to monitor quarterly progress towards targets as set out. Cascading the SDBIP further down to the departmental/sectional level will help Maruleng Local Municipality to review performance quarterly and be able to take necessary steps to improve performance where performance targets are not met.

Assessment is a process of measuring or quantifying the level of attainment or competence within a specified domain whereby scores are attached to see how well the theme, objective, programmes or projects have been achieved. On the other hand evaluation is determining of value, or the measurement of value added. The municipality needs to determine whether, or not, the programme or project adds value or is contributing to the organisation’s strategy.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

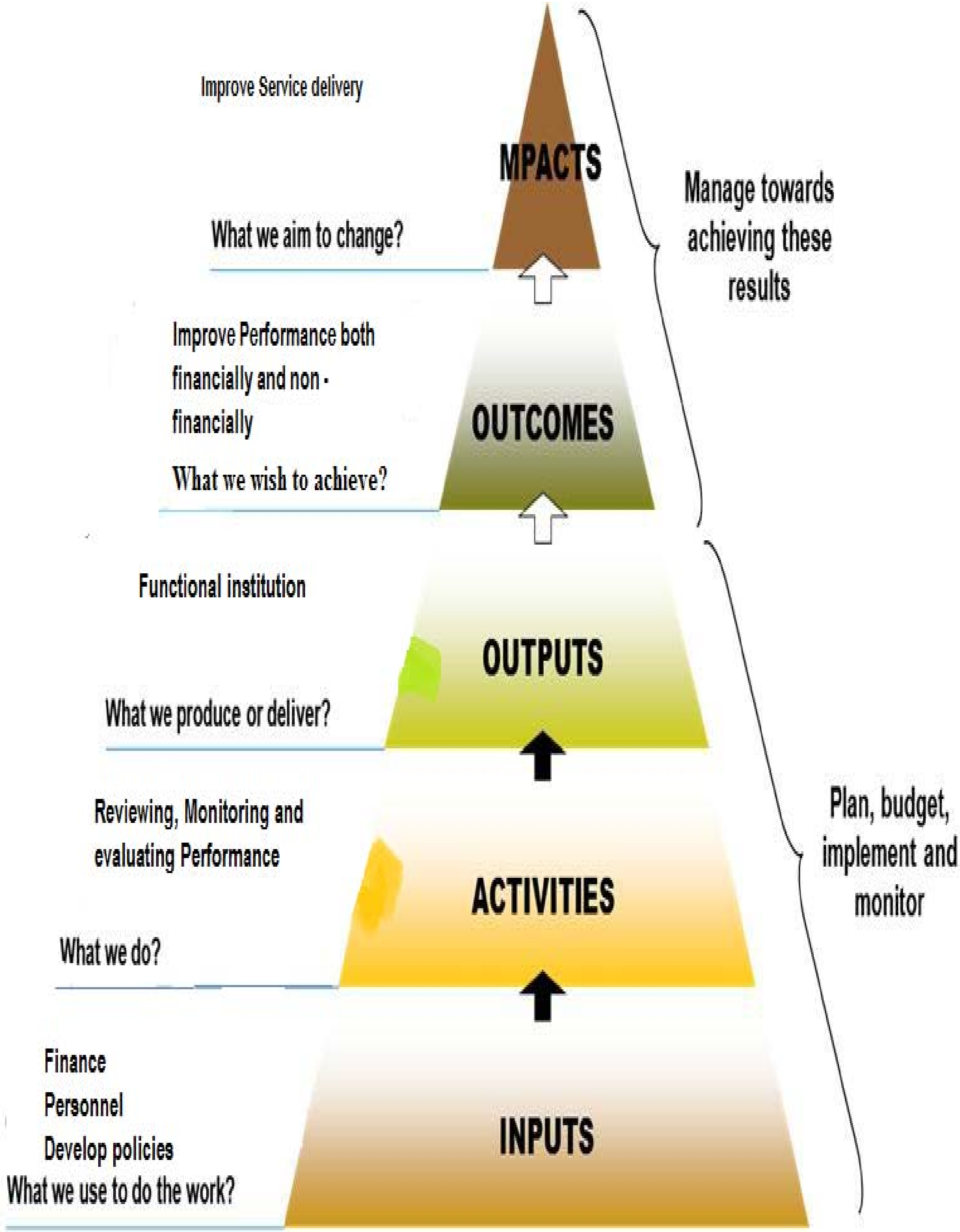


Figure 6 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 24: MBRR Table SA7 Measureable performance objectives

Description	Unit of measurement	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Public works: Roads and Stormwater										
Function - Roads										
Sub-function- Eradication of baglogs										
Reduce roads backlogs	Kilometer	1.0%	5.0%	4.5%	2.5%	2.5%	2.5%	3.0%	4.5%	5.0%
Sub-function - Roads maintained										
surfaced roads resurfaced/ rehabilitation	Kilometer	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	1.5%	1.0%
Sub-function - Roads for growth										
New roads to be constructed	Kilometer	1.0%	5.0%	4.5%	2.5%	2.5%	2.5%	3.0%	4.5%	5.0%
Function - Storm water										
Sub-function - Reduction of backlog										
storm water drainage to reduce backlogs	Kilometer	1.0%	1.5%	1.0%	6.0%	6.0%	6.0%	4.0%	3.5%	4.0%
Sub-function - Storm water for growth										
Storm water drainage to stimulate growth	Kilometer	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	4.0%	3.5%	4.0%
Function- Saniation										
Sub-function- Eradication of sanitation backlogs										
household provided with a sanitation connection	Number	79.9%	79.9%	79.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New bulk sewer pipelines	Meter									
New internal sewer pipelines	Meter	15.0%	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sub-function- mainatanace of sanitation infrustructure										

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

Table 25: MBRR Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Borrowing Management</u>											
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	-2.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	139.5%	127.2%	13.0%	7.4%	7.4%	7.4%	0.0%	17.5%	16.7%	0.0%
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.9	1.3	2.2	2.4	2.1	2.1	–	2.4	2.2	–
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	1.3	2.2	2.4	2.1	2.1	–	2.4	2.2	–
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.9	0.4	1.1	1.1	–	1.4	1.2	–
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		156.1%	32.4%	63.3%	63.3%	63.3%	63.3%	76.4%	69.1%	81.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	20.2%	21.7%	29.1%	7.6%	11.5%	11.5%	0.0%	7.7%	6.8%	0.0%
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	46.8%	43.2%	38.3%	43.4%	39.5%	39.5%	0.0%	40.2%	41.4%	42.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	22.9%	49.2%	10.9%	43.8%	43.0%	43.0%		44.0%	45.7%	47.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	7.5%	0.0%	5.3%	5.3%	0.0%	0.0%	0.0%	0.0%
IDP regulation financial viability indicators	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	7.2	35.6	126.0	20.9	20.9	20.9	–	174.8	–	–
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	121.0%	97.3%	152.2%	47.3%	62.3%	62.3%	0.0%	43.0%	36.6%	0.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(8.3)	(18.0)	(37.5)	0.3	0.9	0.9	–	0.3	0.2	0.2

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

- Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. Maruleng Municipality does not have long term borrowing.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors and overdraft and tax provisions as a percentage of funds and reserves. The debt to equity ratio for the Municipality is 0%

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2, hence at no point in time should this ratio be less than 2. For the 2011/12 MTREF the current ratio is 2.6 and 2.8 and 3.2 for the two outer years of the MTREF.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 1.1 and 1.0 in the 2011/12 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive data cleansing and debt management strategy needs to been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on suppliers‟ perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The Municipality does not distribute electricity to the public the function is carried out by Eskom. Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily due to the decrease in vacancy rate and budget for salary disparity.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2011/12 financial year 23 390 registered indigents have been provided for in the budget with this figured increasing to 24 589 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, 6 kℓ sanitation and free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water
The Municipality is not the Water Services Authority for the municipality in terms of the Water Services Act, 1997 but only acts as water services provider. Approximately 100 per cent of the Municipality's bulk water needs are provided by Department of Public Work in the form of purified water.

2.4 Overview of budget related-policies
The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies
- The Reviewed Collection Policy was approved by Council on the 14 April 2011. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the revisions included the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

- The 2011/12 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 77 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritized as a relevant strategy in increasing the Municipality's cash levels. In addition,

2.4.2 Inventory and Asset Management Policy
- A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

2.4.3 Budget Adjustment Policy
- The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy
- The Supply Chain Management Policy was reviewed by Council in 14 April 2011. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Cash Management and Investment Policy
- The Municipality's Cash Management and Investment Policy was amended by Council in 14 April 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

- The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Indigent Policies

- In terms of the Municipality's Indigent policy, Households with a total monthly gross income of R1 500,00 or less qualifies to a subsidy on property rates and services charges for sewerage and refuse removal and will additionally receive 6 kl of water per month free of charge.

2.5. Overview of budget assumptions

2.5.1 External factors

- Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 per cent rising to 3.6 per cent by 2012.

- Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 39.5 per cent of total operating expenditure in the 2011/11 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.5.3 Credit rating outlook

Table 26: Credit rating outlook

Security class	Currency	Rating	Annual rating 2009/10	Previous Rating
Short term	Rand	Prime -1	20 April 2010	Prime -1
Long term	Rand	Aa3	20 April 2010	Aa3
Outlook	Rand	Negative	20 April 2010	Negative

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)
- Prime-1 (highest quality)
- Long-term : Aa3
- Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

- The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimize its interest rate costs and risk. However, the Municipality does not have long term loans.

2.5.5 Collection rate for revenue services

- The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

- The rate of revenue collection is currently expressed as a percentage (77 per cent) of annual billings. Cash flow is assumed to be 77 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

- Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

- Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing "households" is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the "poor household" limits consumption to the level of free basic service

2.5.7 Salary increases

- The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012.

2.5.8 Impact of national, provincial and local policies

- Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:
  - Creating jobs;
  - Enhancing education and skill development;
  - Improving Health services;
  - Rural development and agriculture; and
  - Fighting crime and corruption.
- To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

- It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

TABLE 27- Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source						
Property rates	10,292,600	12%	10,930,741	12%	11,204,010	12%
Service charges - water revenue	2,416,800	3%	2,566,642	3%	2,630,808	3%
Service charges - sanitation revenue	182,796	0%	194,129	0%	198,983	0%
Service charges - refuse revenue	1,981,140	2%	2,103,971	2%	2,156,570	2%
Rental of facilities and equipment	242,740	0%	257,790	0%	264,235	0%
Interest earned - external investments	200,000	0%	212,400	0%	217,710	0%
Interest earned - outstanding debtors	106,000	0%	112,572	0%	115,386	0%
Licenses and permits	6,905,900	8%	7,334,066	8%	7,517,417	8%
Transfers recognized - operational	54,466,000	64%	59,444,000	67%	62,902,000	69%
Other revenue	8,930,657	10%	5,082,592	6%	4,367,978	5%
Total Revenue (excluding capital transfers and contributions)	85,724,633	100%	88,238,903	100%	91,575,096	100%
Total Expenditure	80,417,721		85,127,015		89,917,947	
Surplus/(Deficit)	5,306,912		3,111,888		1,657,149	

Table 28-The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

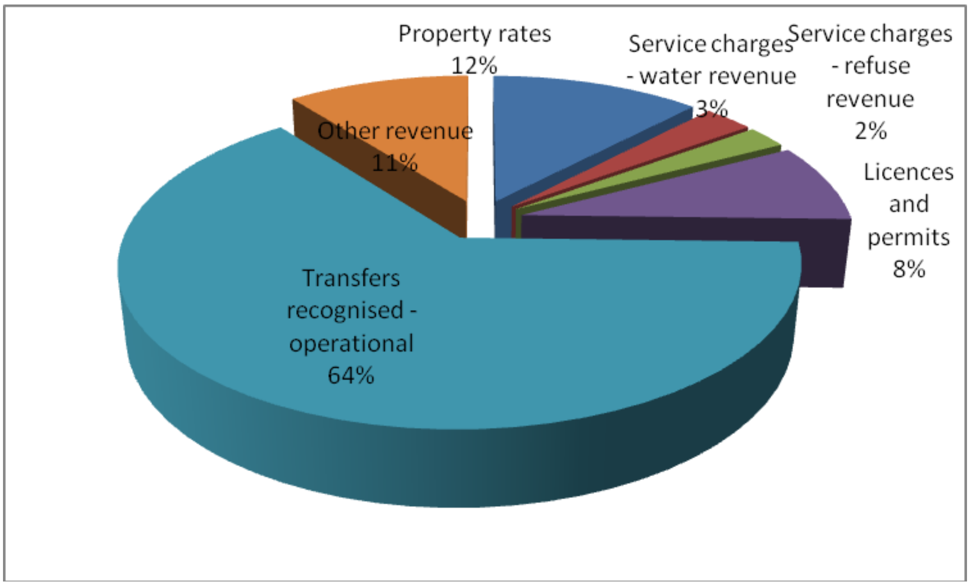


Figure 7 Breakdown of operating revenue over the 2011/12 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA),
- And the ability to extend new services and obtain cost recovery levels. The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

Table 29- Proposed tariff increases over the medium-term

Revenue category	2011/12 proposed tariff increase	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2011/12 Total Budgeted revenue
	%	%	%	%
Property rates				10,292,600
Sanitation	5	5	5	182,796
Solid waste	5	5	5	1,981,140
Water	5	5	5	2,416,800
Total				

Revenue to be generated from property rates is R10.2 million in the 2011/12 financial year and increases to R11.2 million by 2013/14 which represents 12 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2010/11 financial year. It is anticipated that the process will be concluded by the end of 2011.

As the levying of property rates is considered strategic revenue source supplementary valuation process are conducted twice in a year, during December and June of every financial year.

Services charges relating to water, sanitation and refuse removal constitutes the second smallest component of the revenue basket of the Municipality totaling R4.6 million for the 2011/12 financial year and increasing to R4.9 million by 2013/14. For the 2011/12 financial year services charges amount to 5 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of water.

Operational grants and subsidies amount to R54.4 million, R59.4 million and R62.9 million for each of the respective financial years of the MTREF, or 64, 67 and 69 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 8.6 per cent and 5.7 per cent for the two outer years.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R200 000, R212 400 and R217 710 for the respective three financial years of the 2011/12 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 30- MBRR SA15 – Detail Investment Information

Investment type	2007/08	2008/09	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget year 2011/12	Budget year 2012/13	Budget year 2013/14
Deposit - Bank Long term investments	6,264,188	3,689,982	1,831,608	- 3,500,000	4,250,000	4,250,000	4,462,500	6,000,000	7,500,000
Total	6,264,188	3,689,982	1,831,608	3,500,000	4,250,000	4,250,000	4,462,500	6,000,000	7,500,000

Table 31- MBRR SA16 – Investment particulars by maturity

Investment by Maturity	Period of Investment			Monetary value	Interest to be realized
Name of institution & investment ID	Yrs/Months	Type of Investments	Expiry date of Investm ent	Rand Thousand	
Standard Bank	-	Money Market	On call	2,346,875	128,425
Investec	-	Money Market	On call	2,115,625	114,315
Investec					
Total				4,462,500	242,740

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R7.9 million, R6.1 million and R5.2 million in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 32- Sources of capital revenue over the MTREF

	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Capital expenditure & funds sources						
Transfers recognized - capital	26,066,921	76%	30,245,000	85%	31,908,000	84%
Internally generated funds	8,191,039	24%	5,533,058	15%	6,179,081	16%
Total sources of capital funds	34,257,961	100%	35,778,058	100%	38,087,081	100%

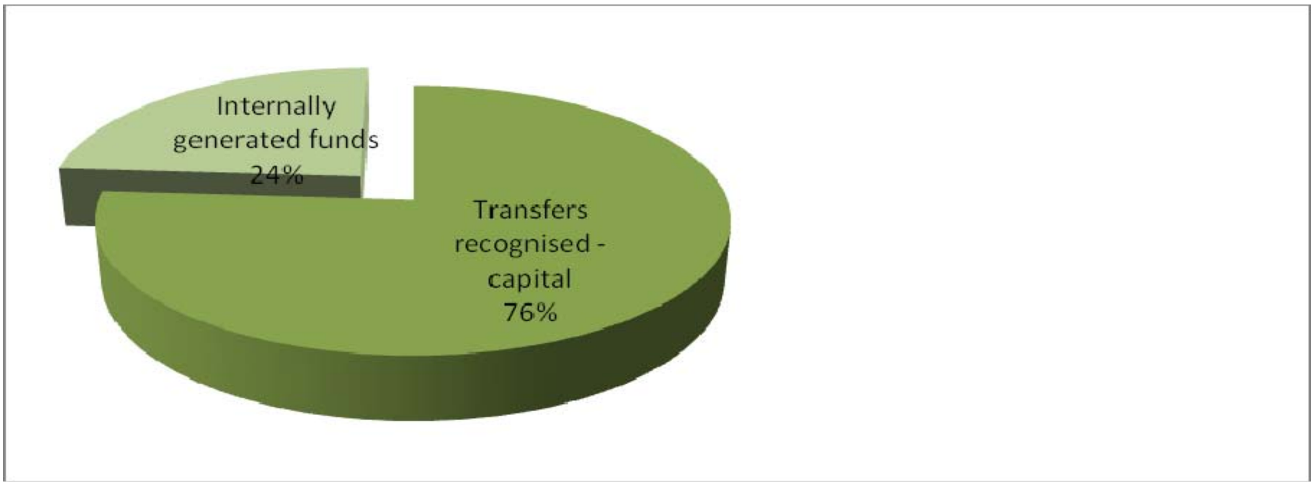


Figure 8 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 79 per cent of the total funding source which represents R26 million for the 2011/12 financial year and steadily increase to R31.9 million or 84 per cent by 2013/14. Growth relating to internally generated funds receipts is 26, 15 and 15 per cent over the medium-term.

Table 33-MBRR Table SA 18 - Capital transfers and grant receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
RECEIPTS:									
Capital Transfers and Grants									
National Government:	13,067,175	20,785,000	18,545,000	20,682,000	18,795,026	18,795,026	26,066,9211	30,245,000	31,908,000
Municipal Infrastructure Grant (MIG)	13,067,175	20,785,000	18,545,000	20,682,000	18,795,026	18,795,026	26,066,921	30,245,000	31,908,000
Total Capital Transfers and Grants	13,067,175	20,785,000	18,545,000	20,682,000	18,795,026	18,795,026	26,066,921	30,245,000	31,908,000

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from “Ratepayers and other“ to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue,

Table 34- MBRR - Table A7 Budgeted Cash Flows

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	6,548,237	(1,123,336)	24,210,789	18,597,211	30,750,345	30,750,345	26,761,443	23,719,330	22,414,577
Government - operating	23,156,058	29,793,763	35,103,519	44,823,000	47,017,067	47,017,067	52,966,000	57,944,000	61,402,000
Government - capital	13,067,175	20,785,000	16,368,974	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
Interest	1,035,860	429,517	159,067	157,000	935,401	935,401	306,000	324,972	333,086
Payments									
Suppliers and employees	(29,792,998)	(43,837,650)	(39,467,110)	(58,539,677)	(66,823,392)	(66,823,392)	(72,341,033)	(76,501,294)	(80,879,373)
Finance charges		(20,838)	(72,055)						
NET CASH FROM/(USED) OPERATING ACTIVITIES	14,014,332	6,026,456	36,303,184	25,719,534	30,674,447	30,674,447	33,162,870	35,732,008	35,178,291
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE					5,082,000	5,082,000			
Capital assets	(18,233,958)	(9,557,698)	(28,834,381)	(25,415,109)	(27,102,231)	(27,102,231)	(33,451,661)	(33,718,008)	(32,178,291)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(18,233,958)	(9,557,698)	(28,834,381)	(25,415,109)	(22,020,231)	(22,020,231)	(33,451,661)	(33,718,008)	(32,178,291)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	-	(100,314)	136,666						
Increase (decrease) in consumerdeposits	1,637	-							
Payments									
Repayment of borrowing	(320,569)	-							
NET CASH FROM/(USED) FINANCING ACTIVITIES	(318,932)	(100,314)	136,666	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(4,538,558)	(3,631,556)	7,605,469	304,425	8,654,215	8,654,215	(288,790)	2,014,000	3,000,000
Cash/cash equivalents at the year begin:	11,177,440	6,638,882	3,007,326	620,575	620,575	620,575	9,274,790	8,986,000	11,000,000
Cash/cash equivalents at the year end:	6,638,882	3,007,326	10,612,795	925,000	9,274,790	9,274,790	8,986,000	11,000,000	14,000,000

- The above table shows that cash and cash equivalents of the Municipality decreased between the 2007/08 and 2010/11 financial year moving from a positive cash balance of R6.6 million to R925 000 with the approved 2010/11 MTREF. With the 2010/11 adjustments budget various cost efficiencies and savings had to be realized to ensure the Municipality could meet its operational expenditure commitments.
- In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R9.2 million by the financial year end. For the 2011/12 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents

over the medium-term with cash levels anticipated to exceed R8.9 million by 2011/12 and steadily increasing to R14 million by 2013/14.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?
-

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be "funded". Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 35- Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available									
Cash/cash equivalents at the year end	6,638,882	3,007,326	10,612,795	925,000	9,274,790	9,274,790	8,986,000	11,000,000	14,000,000
Other current investments > 90 days	(1)	-	1	(0)	-	-	(1,000)	-	-
Non current assets - Investments	-	-	-	3,500,000	-	-	-	-	-
Cash and investments available:	6,638,881	3,007,326	10,612,796	4,425,000	9,274,790	9,274,790	8,985,000	11,000,000	14,000,000
Application of cash and investments									
Unspent conditional transfers	2,552,668	1,967,502	5,648,171	-	1,900,000	1,900,000	2,000,000	1,800,000	1,200,000
Other working capital requirements	4,265,423	6,887,239	(3,948,530)	224,000	(159,000)	(159,000)	(3,162,000)	(4,440,800)	(4,271,000)
Other provisions									
Reserves to be backed by cash/investments									
Total Application of cash and investments:	6,818,091	8,854,741	1,699,641	224,000	1,741,000	1,741,000	(1,162,000)	(2,640,800)	(3,071,000)
Surplus(shortfall)	(179,210)	(5,847,415)	8,913,155	4,201,000	7,534,000	7,534,000	10,147,000	13,640,800	17,071,000

From the above table it can be seen that the cash and investments available total R8.9 million in the 2011/12 financial year and progressively increase to R14 million by 2013/14, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions.

Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

In the past these have been allowed to "roll-over" and be spent in the ordinary course of business, but this practice has been discontinued. During the 2010/11 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2011/12 financial year R2 million has been provided this liability.

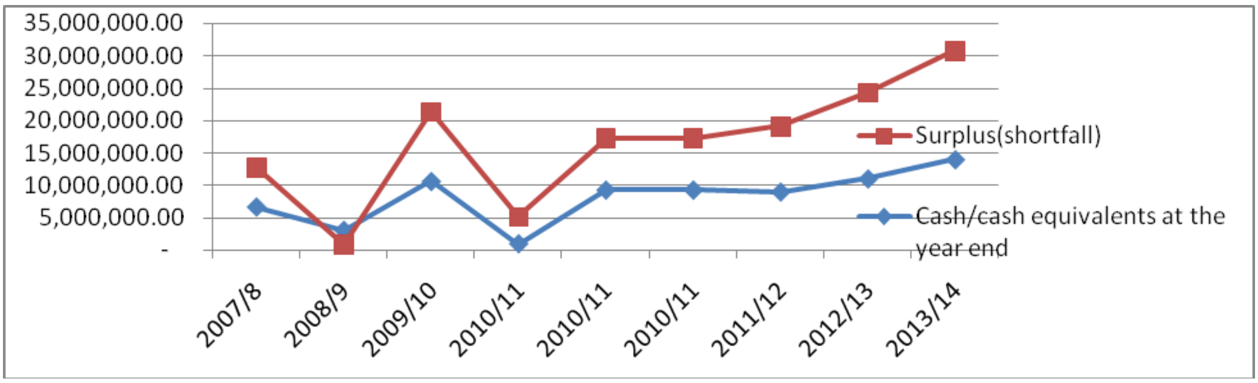
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2010/11 resulting in cash flow challenges.

For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively increased over the period 2007/08 to 2010/11escalating from R(179 210) to R 4.2 million in 2010/11.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective



2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 36: MBRR SA10 – Funding compliance measurement

Description	MFMA section	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	6,639	3,007	10,613	1,758	8,358	8,358	621	636	2,650	5,650
Cash + investments at the yr end less applications - R'000	18(1)b	2	(179)	(5,847)	8,913	4,406	7,223	7,223	–	10,147	13,641	17,071
Cash year end/monthly employee/supplier payments	18(1)b	3	3.8	1.2	4.2	0.5	2.1	2.1	–	0.2	0.6	1.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(7,890)	367	25,884	25,415	24,089	24,089	–	31,374	33,357	33,565
Service charge rev % change -macro CPIX target exclusive	18(1)a,(2)	5	N.A.	101.4%	(7.9%)	(5.0%)	33.2%	(6.0%)	(106.0%)	(0.5%)	0.2%	(3.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	45.0%	(5.9%)	95.7%	43.2%	88.3%	88.3%	0%	68.9%	88.6%	83.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	0.0%	0.0%	20.6%	20.6%	0.0%	23.2%	23.1%	21.2%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	45.2%	122.3%	100.0%	96.1%	96.1%	0.0%	97.6%	94.2%	84.5%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	(27.2%)	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	70.2%	55.1%	(69.2%)	81.2%	0.0%	(100.0%)	47.0%	(0.2%)	(1.8%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.8%	0.0%	1.3%	1.3%	0.0%	1.5%	1.3%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	104.4%	106.5%	0.0%

2.6.5.1 Cash/cash equivalent position

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

- If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

The forecasted cash and cash equivalents for the 2011/12 MTREF shows R636 209.59 , R2.6 million and R5.6 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

- The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 24, The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

- The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been decreasing significantly for the period 2007/08 to 2010/11, moving from 3.8 to 2.1 with the adopted 2010/11 MTREF. As part of the 2011/12 MTREF the municipalities' cash position causes the ratio to move upwards from 0.2 to 0.6 to 1.2 for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

- The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An „adjusted surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2011/12 MTREF the indicative outcome is a surplus of R31 million, R33 million and R33 million. It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

- The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in „revenue", which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.
- The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 6- 3.5 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 23.2, 23.1 and 21.1per cent for the respective financial year of the 2011/12 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayers and other revenue

- This factor is a macro measure of the rate at which funds are „collected. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 68.9, 88.6 and 83.6 per cent for each of the respective financial years. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

2.6.5.7 Debt impairment expense as a percentage of billable revenue

- This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 23.2, 23.1 and 21.2 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

- The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

- The purpose of this measurement is to determine the proportion of a municipality's „own-funded" capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been be excluded. It can be seen that borrowing equates to 0 per cent of own funded capital. The municipality does not borrow money from external stakeholders

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

- The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

- The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

2.6.5.12 Repairs and maintenance expenditure level

- This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being

committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 50 MBRR SA34C on page 63.

2.6.5.13 Asset renewal/rehabilitation expenditure level

- This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for „repairs and maintenance budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 37- MBRR Table SA19 Expenditure on transfers and grant programme

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
EXPENDITURE: Operating expenditure of Transfers and Grants									
National Government:	25,967,636	24,577,233	34,139,987	41,323,000	42,333,812	42,333,812	49,466,000	54,444,000	57,902,000
Local Government Equitable Share	18,560,216	23,761,143	32,310,578	39,323,000	39,323,000	39,323,000	47,176,000	52,144,000	55,552,000
Finance Management	85,209	507,275	1,135,546	1,250,000	1,736,685	1,736,685	1,500,000	1,500,000	1,500,000
municipal Systems Improvement	7,322,211	308,815	693,863	750,000	1,274,127	1,274,127	790,000	800,000	850,000
District Municipality:	3,182,018	5,578,871	-	3,500,000	3,000,000	3,000,000	5,000,000	5,000,000	5,000,000
mopani district municipality	3,182,018	5,578,871	-	3,500,000	3,000,000	3,000,000	5,000,000	5,000,000	5,000,000
Other grant providers:	-	-	963,532	-	-	-	-	-	-
LED Grant from European Union			963,532						
Total operating expenditure of Transfers and Grants:	29,149,654	30,156,104	35,103,519	44,823,000	45,333,812	45,333,812	54,466,000	59,444,000	62,902,000
Capital expenditure of Transfers and Grants									
National Government:	13,067,175	20,785,000	16,368,974	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
Municipal Infrastructure Grant (MIG)	13,067,175	20,785,000	16,368,974	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
Other grant providers:	110,757	2,192,162	-	-	-	-	-	-	-
LED Grant from European	110,757	2,192,076							
Total capital expenditure of Transfers and Grants	13,177,932	22,977,162	16,368,974	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	42,327,586	53,133,266	51,472,493	65,505,000	64,128,838	64,128,838	80,532,921	89,689,000	94,810,000

Table 38- MBRR SA20 - Reconciliation of transfers, grant receipts and unspent funds

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	269,731	686,311	1,105,221						
Current year receipts	19,794,957	28,050,485	34,045,578	41,323,000	42,333,812	42,333,812	49,466,000	54,444,000	57,902,000
Conditions met - transferred to revenue	19,378,377	26,769,394	34,139,987	41,323,000	42,333,812	42,333,812	49,466,000	54,444,000	57,902,000
Conditions still to be met - transferred to liabilities	686,311	1,967,402	1,010,812						
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts	3,182,018	5,578,871	3,460,440	3,500,000	4,683,255	4,683,255	5,000,000	5,000,000	5,000,000
Conditions met - transferred to revenue	3,182,018	5,578,871	-	3,500,000	4,683,255	4,683,255	5,000,000	5,000,000	5,000,000
Conditions still to be met - transferred to liabilities			3,460,440						
Other grant providers:									
Balance unspent at beginning of the year			500,019						
Current year receipts			463,513						
Conditions met - transferred to revenue	-	-	963,532	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities									
Total operating transfers and grants revenue	22,560,395	32,348,265	35,103,519	44,823,000	47,017,067	47,017,067	54,466,000	59,444,000	62,902,000
Total operating transfers and grants - CTBM	686,311	1,967,402	4,471,252	-	-	-	-	-	-
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year									
Current year receipts	13,067,175	20,785,000	20,652,000	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
Conditions met - transferred to revenue	13,067,175	20,785,000	16,368,974	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
Conditions still to be met - transferred to liabilities			4,283,026						
Total capital transfers and grants revenue	13,067,175	20,785,000	16,368,974	20,682,000	18,795,026	18,795,026	25,470,461	30,245,000	31,908,000
Total capital transfers and grants - CTBM	-	-	4,283,026	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE	35,627,570	53,133,265	51,472,493	65,505,000	65,812,093	65,812,093	80,532,921	89,689,000	94,810,000
TOTAL TRANSFERS AND GRANTS - CTBM	686,311	1,967,402	8,754,278	-	-	-	-	-	-

2.8. Councillor and employee benefits

Table 39- MBRR SA22 - Summary councilor and staff benefits

Summary of Employee and Councillor remuneration	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Councillors (Political Office Bearers plus Other)									
Salary	1,962,639	2,057,437	3,029,042	3,489,866	3,455,015	3,455,015	3,365,889	3,594,769	3,839,213
Pension Contributions	2,383,196	902,503	543,000	618,421	609,708	609,708	607,647	648,967	693,096
Medical Aid Contributions		47,131	34,560	60,924	60,924	60,924	77,443	82,709	88,333
Motor vehicle allowance		1,138,656	1,481,846	1,225,863	1,225,863	1,225,863	1,350,326	1,442,148	1,540,214
Cell phone allowance		308,327	279,328	288,972	288,972	288,972	292,944	312,864	334,139
Other benefits or allowances				200,000	200,000	200,000	200,000	213,600	228,125
In-kind benefits				54,018	54,018	54,018	53,239	56,859	60,725
Sub Total – Councillors	4,346	4,454	5,368	5,938	5,894	5,894	5,947	6,352	6,784
% increase		2.5%	20.5%	10.6%	(0.7%)	–	0.9%	6.8%	6.8%
Senior Managers of the Municipality									
Salary	11,138	15,110	13,583	20,944	21,957	21,957	2,599	2,755	2,920
Pension Contributions	1,934	3,932	6,287	4,998	4,842	4,842	749	794	842
Medical Aid Contributions	993	1,503	1,006	1,255	2,474	2,474	57	60	64
Motor vehicle allowance	–	–	169		302	302	994	1,053	1,116
Cell phone allowance	–	–			435	435	66	70	74
Housing allowance	–	–	–	487	487	487	–	–	–
Performance Bonus	–	–	–	218	177	177	142	627	669
Other benefits or allowances	–		–	61	61	61	39	–	–
In-kind benefits	–	–	–		–	–	–	–	–
Sub Total - Senior Managers of Municipality	14,065	20,545	21,045	27,963	30,735	30,735	4,646	5,359	5,686
% increase		46.1%	2.4%	32.9%	9.9%	–	(84.9%)	15.4%	6.1%
Other Municipal Staff									
Basic Salaries and Wages							19,872	21,244	22,711
Pension Contributions							4,128	4,415	4,722
Medical Aid Contributions							791	845	903
Motor vehicle allowance							1,264	1,350	1,442
Cell phone allowance							175	187	200
Housing allowance							108	116	124
Overtime							300	362	387
Performance Bonus							474	31	33
Other benefits or allowances							2,110	2,261	2,423

In-kind benefits							38	40	43
Sub Total - Other Municipal Staff	–	–	–	–	–	–	29,260	30,853	32,989
% increase		–	–	–	–	–	–	5.4%	6.9%
Total Parent Municipality	18,410	24,999	26,412	33,901	36,629	36,629	39,854	42,564	45,458
		35.8%	5.7%	28.4%	8.0%	–	8.8%	6.8%	6.8%
TOTAL SALARY, ALLOWANCES & BENEFITS	18,410	24,999	26,412	33,901	36,629	36,629	39,854	42,564	45,458
% increase		35.8%	5.7%	28.4%	8.0%	–	8.8%	6.8%	6.8%
TOTAL MANAGERS AND STAFF	14,065	20,545	21,045	27,963	30,735	30,735	33,906	36,212	38,674

Table 40 MBRR SA23 - Salaries, allowances & benefits (political office bearers/councilors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contrib.	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.			2.	3.
Councilors						
Speaker	320,982	125,875	61,679			508,536
Chief Whip	300,921	57,824	118,008			476,754
Executive Mayor	401,229	77,099	157,345			635,672
Executive Committee	662,026	127,213	259,618			1,048,857
Total for all other councilors	2,083,383	392,751	801,533			3,277,668
Total Councilors	3,768,541	780,762	1,398,183			5,947,487
Senior Managers of the Municipality						
Municipal Manager (MM)	607,214	217,009	104,640	46,709		975,572
Chief Finance Officer	360,360	108,835	289,000			758,195
List of each official with packages >= senior manager						
Director Corporate Service	389,220	116,232	199,000			704,452
Director Technical Services	467,407	137,849	98,760	35,954		739,970
Director Community services	467,407	137,849	98,760	35,954		739,970
Director SPED	307,606	127,562	269,000	23,662		727,829
Total Senior Managers of the Municipality	2,599,215	845,335	1,059,160	142,280	–	4,645,989
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	6,367,756	1,626,097	2,457,343	142,280	–	10,593,476

(Note that National Treasury has deliberately left the above table blank so as not to appear to be setting benchmarks for acceptable remuneration levels for the relevant positions. Municipalities MUST, however, provide the required information as applicable to their municipalities)

Table 41-MBRR - SA24 Summary of personnel numbers

Summary of Personnel Numbers	2009/10			Current Year 2010/11			Budget Year 2011/12		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councilors (Political Office Bearers plus Other Councilors)	24	3	21	24	3	21			
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	6	–	6	6	–	6	6	–	6
Other Managers	8	7	1	8	7	1	12	11	1
Professionals	*103*	*97*	*2*	*94*	*94*	*2*	*92*	*87*	*5*
Finance	13	13	–	12	12	–	9	8	1
Spatial/town planning	3	3	–	3	3	–	5	5	–
Information Technology	1	1	–	1	1	–	1	1	–
Roads	7	7	–	7	7	–	6	6	–
Electricity	1	1	–	1	1	–	1	1	–
Water	17	17	–	17	17	–	14	14	–
Sanitation	16	16	–	17	17	–			
Refuse	8	4					7	7	–
Other	37	35	2	36	36	2	49	45	4
Technicians	–	–	–	–	–	–	–	–	–
Clerks (Clerical and administrative)	33	31	2	33	31	2	26	26	–
TOTAL PERSONNEL NUMBERS	174	138	32	165	135	32	136	124	12
% increase				(5.2%)	(2.2%)	–	(17.6%)	(8.1%)	(62.5%)

2.9 Monthly targets for revenue, expenditure and cash flow

See attached copy of the Annual Budget for the following tables

- TABLE 42:MBRR SA25 - Budgeted monthly revenue and expenditure – see attached copy of the Annual Budget
- TABLE 43: MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

- TABLE 44: MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)
- TABLE 45:MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)
- TABLE 46: MBRR SA29 - Budgeted monthly capital expenditure (standard classification)
- TABLE 47: MBRR SA30 - Budgeted monthly cash flow

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Water Services Department

Maruleng Municipality is not a water service authority

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

See attached copy of the Annual Budget for the following tables

- TABLE 48:MBRR SA 34a – Capital expenditure on new assets by assets class
- TABLE 49:MBRR SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE 50:MBRR SA 34c – Repairs and maintenance expenditure by assets class
- TABLE 51:MBRR SA 35 – Future financial implications of the capital budget
- TABLE 52 :MBRR SA 36 – Detailed capital budget per municipal vote
- TABLE 53: MBRR SA 37– Projects delayed from previous financial year

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. in year reporting
   - Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme
   - The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department. Of the five interns two has been appointed permanently from February 2011. The remaining 3 are still undergoing training.

3. Budget and Treasury Office
   - The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   - A district shared Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan
   - The detail SDBIP document is at a draft stage and will be finalized after approval of the 2010/11 MTREF in May 2010 directly aligned and informed by the 2011/12 MTREF.

6. Annual Report
   - Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training
   - The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies
   - An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

See attached copy of the Annual Budget for the following supporting tables

- TABLE 54: MBRR SA 1 – Supporting detail to budgeted financial performance
- TABLE 55: MBRR SA 2 – Matrix financial Performance budget (revenue source/expenditure type and department)
- TABLE 56: MBRR SA 3 – Supporting detail to statement of financial position
- TABLE 57: MBRR SA 9 – Social, economic and demographic statistics and assumptions
- TABLE 58: MBRR SA 32 – List of external mechanisms

2.15 Municipal manager's quality certificate

I ……………………………………………….., municipal manager of Maruleng Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name ____
Municipal manager Maruleng Municipality

Signature ____

Date ______________________________